



U. S. ENERGY / CRESTED CORP.

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Riverton, Wyoming 82501

June 4, 2003

State of Utah
Department of Natural Resources
Division of Oil and Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801
Attn: Mr. Paul Baker

Re: Velvet Mine, M/037/040, Site Tour 5/29/03

Dear Mr. Baker:

Thank you for coming out to the Velvet Mine site. This letter is a summary of our tour and discussions. Reclamation commenced on May 22, 2003 and is proceeding on schedule with removal of the buildings and ownership identification of overhead electric power lines. As we discussed during the site tour, I have attached the laboratory results of the ore pad and settling pond sediments. The settling ponds sediment has the less than or the same value for the radionuclide Radium 226 as the ore pad and will remain in place at the settling ponds. The sediment material along with any clay will be covered with dirt material and the ponds will be shaped so as to reduce pooling of water.

Access roads to ventilation boreholes, from the top of the ridge to the ventilation bore holes, will have culverts removed, road lightly ripped for seeding and water bars constructed as necessary. Access road to treatment ponds will have culverts removed and lightly ripped to seeding. Access road to main decline/office area will be lightly ripped from the top of the grade at the last turn in to another old mine site continuing onto the mine site. The culvert in the main road will be removed and the road seeded.

Ventilation boreholes will be reclaimed by utilizing a cap/plug that is 1.5 feet thick with part of the cap/plug inside the borehole and part of it outside. This cap/plug will rest on the existing concrete slab. The cap/plug will be constructed with concrete and steel reinforcements. Cap/plugs will be covered with dirt/rock material based upon availability of the material at each ventilation borehole site.

Ore pad area will be reshaped and the first priority for placement of the growth material will be the flat area of the ore pad. The ore pad will be shaped so as to direct overland flow off the pad. Decline will be backfilled beginning about five sets from the collar and for a distance of about 50 feet. I have attached a revised seed mixture list that we adjusted in the field during the tour.

Should you have any questions please contact me at (307) 856-9271.

Sincerely,
U.S. Energy Corp.

Fred Craft

Attachments (3)

cc: File, Jim Butt

FAX (307) 857-3050

RECEIVED

JUN 10 2003

DIV. OF OIL, GAS & MINING



LABORATORY ANALYTICAL REPORT

Client: Plateau Resources (US Energy)
Project: Velvet
Lab ID: C03040858-001
Client Sample ID: Velvet Ore Pad Composite

Report Date: 05/14/03
Collection Date: 04/11/03 09:00
Date Received: 04/22/03
Matrix: Solid

Analyses	Result	Units	Qual	MCL/		Method	Analysis Date / By
				RL	QCL		
RADIONUCLIDES - TOTAL							
Radium 226	238	pCi/g-dry		0.1		E903.0	05/11/03 05:52 / rs
Radium 226 precision (±)	8.5	pCi/g-dry				E903.0	05/11/03 05:52 / rs

Report RL - Analyte reporting limit.
Definitions: QCL - Quality control limit.

MCL - Maximum contaminant level.
ND - Not detected at the reporting limit.

TRACKING NO. PAGE NO.

040858R0001



ENERGY LABORATORIES, INC. - 2090 Salt Creek Highway (82601) - P.O. 3258 - Casper, WY 82602
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LABORATORY ANALYTICAL REPORT

Client: Plateau Resources (US Energy)
Project: Velvet Mine

Lab Order: C03040579
Report Date: 04/29/03

Lab ID: C03040579-001
Client Sample ID: West Pond Sed. Composite
Matrix: SOLID
Collection Date: 04/06/03 17:00
Date Received: 04/14/03

Analyses	Result	Units	Qual	RL	MCL/ QCL	Method	Analysis Date / By
RADIONUCLIDES - TOTAL							
Radium 226	4.0	pCi/g-dry		0.1		E903.0	04/28/03 10:38 / es
Radium 226 precision (±)	0.2	pCi/g-dry				E903.0	04/28/03 10:38 / es

Lab ID: C03040579-002
Client Sample ID: East Pond Sed. Composite
Matrix: SOLID
Collection Date: 04/06/03 15:00
Date Received: 04/14/03

Analyses	Result	Units	Qual	RL	MCL/ QCL	Method	Analysis Date / By
RADIONUCLIDES - TOTAL							
Radium 226	65.8	pCi/g-dry		0.1		E903.0	04/28/03 10:38 / es
Radium 226 precision (±)	0.8	pCi/g-dry				E903.0	04/28/03 10:38 / es

Report
Definitions: RL - Analyte reporting limit.
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040579R0001

Seed Mix recommendation for the Velvet Mine (M/037/040) May 29, 2003

Species	Pounds Pure Live Seed per Acre
Indian Ricegrass	2
Bluebunch Wheatgrass	3
Crested Wheatgrass	1
Big Bluegrass	1
Palmer Penstemon	0.25
Blue Flax	0.5
Bitterbrush	1
Fourwing Saltbush	3